

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Fulton	County Gratiot
Fiscal Year End 3/31/06	Opinion Date 5/23/06	Date Audit Report Submitted to State 8/16/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

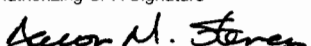
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Rd, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens, CPA	
		License Number 1101024055	

**Township of Fulton  
Gratiot County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2006**

Township of Fulton  
Gratiot County, Michigan  
March 31, 2006  
BOARD OF TRUSTEES

Mr. William A. Burnham	Supervisor
Mrs. Diane Ruedger	Clerk
Mrs. Josephine Kissane	Treasurer
Mr. Glen Winsor	Trustee
Mr. Harry Vaughn, Jr.	Trustee

Township of Fulton  
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Principals

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Fulton  
Perrinton, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Fulton, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Township of Fulton, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Fulton's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 23, 2006

The following is a discussion and analysis of the Township of Fulton (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2006. This analysis should be read in conjunction with the Independent Auditors Report and with the Township's financial statements, which follow this section. 2006 represents the second year the Township has reported under the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus and Statement No. 38 Certain Financial Statement Note Disclosures. This discussion and analysis provides comparisons with the previous year.

### **Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2006.

- State shared revenue, our largest revenue source in the General Fund, increased by approximately \$1,788.
- Property tax revenues increased approximately \$1,176 from the prior year. This increase is a result of increasing property values and decreasing the millage that was levied in the Township.
- Total net assets were \$3,025,766. Net assets of \$554,224 and \$2,471,542 were attributable to governmental and business-type activities, respectively.

### **Using This Annual Report**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4 and 6 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (including depreciation) are not reported on the fund financial statements of the governmental funds. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township of Fulton maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary Funds.** The Township of Fulton maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system activity. The *Internal Service* fund, which reports activities that provide supplies or service to the Township's other operations, is reported as a governmental activity on the government-wide statements.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-24 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

# Township of Fulton

## Management's Discussion and Analysis

### The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2006.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 374,456	\$ 366,265	\$ 1,183,956	\$ 1,135,478	\$ 1,558,412	\$ 1,501,743
Noncurrent assets	189,516	182,964	1,470,911	1,542,160	1,660,427	1,725,124
Total assets	563,972	549,229	2,654,867	2,677,638	3,218,839	3,226,867
<b>Liabilities</b>						
Current liabilities	9,748	8,505	11,335	11,475	21,083	19,980
Noncurrent liabilities	-	-	171,990	178,605	171,990	178,605
Total liabilities	9,748	8,505	183,325	190,080	193,073	198,585
<b>Net Assets</b>						
Invested in capital assets- net of related debt	189,516	182,964	651,480	695,102	840,996	878,066
Restricted	22,307	22,307	174,265	180,740	196,572	203,047
Unrestricted	342,401	335,453	1,645,797	1,611,716	1,988,198	1,947,169
Total net assets	\$ 554,224	\$ 540,724	\$ 2,471,542	\$ 2,487,558	\$ 3,025,766	\$ 3,028,282

The Township's total net assets were \$3,025,766 on March 31, 2006. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,988,198 at the end of the fiscal year. The net assets invested in capital assets, net of related debt were at \$840,996.

The following table shows the changes in net assets during the current year.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenues</b>						
Program revenue:						
Charges for services	\$ 27,161	\$ 14,343	\$ 90,478	\$ 86,629	\$ 117,639	\$ 100,972
Operating grants and contributions	3,561	4,087	-	-	3,561	4,087
Capital grants and contributions	12,554	7,430	-	-	12,554	7,430
General revenues:						
Property taxes	47,063	58,401	-	-	47,063	58,401
State Revenue Sharing	133,321	131,533	-	-	133,321	131,533
Investment earnings	6,035	3,513	42,923	26,244	48,958	29,757
Miscellaneous	6,144	6,114	-	-	6,144	6,114
Total revenues	235,839	225,421	133,401	112,873	369,240	338,294
<b>Expenses</b>						
General government	135,559	127,101	-	-	135,559	127,101
Public safety	30,800	25,900	-	-	30,800	25,900
Public works	44,688	68,306	-	-	44,688	68,306
Community and economic development	1,516	1,606	-	-	1,516	1,606
Other	9,776	9,723	-	-	9,776	9,723
Business-type activities	-	-	149,417	152,094	149,417	152,094
Total expenses	222,339	232,636	149,417	152,094	371,756	384,730
Change in net assets	\$ 13,500	\$ ( 7,215)	\$ ( 16,016)	\$ ( 39,221)	\$ ( 2,516)	\$ ( 46,436)



### **Governmental Activities**

The Township's governmental revenues totaled \$235,839 with the greatest revenue source being state shared revenue, making up approximately 57 percent of total governmental revenue. Over the past year, state shared revenue and interest income have both increased.

The Township incurred expenses of \$222,339 during the year; the majority of governmental expense is associated with providing general governmental services.

### **Business-type Activities**

The Township incurred expenses of \$149,417 during the year to provide sewer services.

### **The Township's Funds**

**Governmental Funds.** The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township of Fulton's Board of Trustees creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millage. The Township's major fund for the fiscal year ended March 31, 2006 was the General Fund. The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was general governmental services, which incurred expenditures of \$128,917 for the fiscal year.

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### **General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendments were made to cover unanticipated costs associated with fire protection and township hall services. However, because all departments came in under budget at year-end, there was an overall favorable variance for expenditures of approximately \$26,547 from the budget.

### **Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$1,019,601 invested in a broad range of capital assets, including buildings, land, equipment, and capital assets held by the three sewer systems. In addition, the Township has made certain investments in roads and drains within the Township. These assets are not reported in the Township's fund statements, because under Michigan law, these roads and drains are the property of the Gratiot County Road and Drain Commissions, respectively.

**Long-term Debt.** The Township issued no new debt during the fiscal year.

### **Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack.

### **Contacting the Township Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township finances and demonstrates the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Township of Fulton

STATEMENT OF NET ASSETS

March 31, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 348,616	\$ 932,005	\$ 1,280,621
Investments	-	200,000	200,000
Receivables	-	50,509	50,509
Internal balances	17,242	(17,242)	-0-
Due from other governmental units	8,281	18,684	26,965
Prepaid expenses	317	-	317
Total current assets	374,456	1,183,956	1,558,412
Noncurrent assets			
Investments	-	409,115	409,115
Special assessments - deferred	-	231,711	231,711
Capital assets not being depreciated	22,505	-	22,505
Capital assets, net	167,011	830,085	997,096
Total noncurrent assets	189,516	1,470,911	1,660,427
<b>TOTAL ASSETS</b>	563,972	2,654,867	3,218,839
<b>LIABILITIES</b>			
Current liabilities			
Payables	7,437	-	7,437
Accrued liabilities	2,151	-	2,151
Due to other governmental units	-	380	380
Accrued interest payable	-	4,340	4,340
Current portion of compensated absences	160	-	160
Current portion of long-term debt	-	6,615	6,615
Total current liabilities	9,748	11,335	21,083
Noncurrent liabilities			
Noncurrent portion of long-term debt	-	171,990	171,990
<b>TOTAL LIABILITIES</b>	9,748	183,325	193,073
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	189,516	651,480	840,996
Restricted for:			
Debt service	-	174,265	174,265
Perpetual care	22,307	-	22,307
Unrestricted	342,401	1,645,797	1,988,198
<b>TOTAL NET ASSETS</b>	<u>\$ 554,224</u>	<u>\$ 2,471,542</u>	<u>\$ 3,025,766</u>

See accompanying notes to financial statements.

Township of Fulton  
STATEMENT OF ACTIVITIES  
Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 135,559	\$ 22,951	\$ -	\$ 4,800	\$ (107,808)	\$ -	\$ (107,808)
Public safety	30,800	3,150	-	-	(27,650)	-	(27,650)
Public works	44,688	-	3,561	7,754	(33,373)	-	(33,373)
Community and economic development	1,516	1,060	-	-	(456)	-	(456)
Other	9,776	-	-	-	(9,776)	-	(9,776)
Total governmental activities	222,339	27,161	3,561	12,554	(179,063)	-0-	(179,063)
Business-type activities:							
Sewer #5	71,898	46,607	-	-	-	(25,291)	(25,291)
Sewer #6	47,574	36,970	-	-	-	(10,604)	(10,604)
Pompeii Sewer	29,945	6,901	-	-	-	(23,044)	(23,044)
Total business-type activities	149,417	90,478	-0-	-0-	-0-	(58,939)	(58,939)
Total government	<u>\$ 371,756</u>	<u>\$ 117,639</u>	<u>\$ 3,561</u>	<u>\$ 12,554</u>	(179,063)	(58,939)	(238,002)
General revenues:							
Property taxes					47,063	-	47,063
State shared revenues					133,321	-	133,321
Investment earnings					6,035	42,923	48,958
Miscellaneous					6,144	-	6,144
Total general revenues					192,563	42,923	235,486
Change in net assets					13,500	(16,016)	(2,516)
Net assets, beginning of the year					540,724	2,487,558	3,028,282
Net assets, end of the year					<u>\$ 554,224</u>	<u>\$ 2,471,542</u>	<u>\$ 3,025,766</u>

See accompanying notes to financial statements.

Township of Fulton

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 270,347	\$ 55,687	\$ 326,034
Due from other funds	19,121	-	19,121
Due from other governmental units - local	7,324	941	8,265
Prepays	317	-	317
<b>TOTAL ASSETS</b>	<b>\$ 297,109</b>	<b>\$ 56,628</b>	<b>\$ 353,737</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Payables			
Accounts	\$ 6,497	\$ -	\$ 6,497
Customer deposits	940	-	940
Accrued liabilities	2,151	-	2,151
Due to other funds	-	2,191	2,191
<b>TOTAL LIABILITIES</b>	<b>9,588</b>	<b>2,191</b>	<b>11,779</b>
<b>FUND BALANCES</b>			
Reserved for:			
Perpetual care	-	22,307	22,307
Debt service	-	21,788	21,788
Prepays	317	-	317
Unreserved			
Designated for subsequent year's expenditures	45,167	-	45,167
Undesignated, reported in:			
General fund	242,037	-	242,037
Special revenue funds	-	10,342	10,342
<b>TOTAL FUND BALANCES</b>	<b>287,521</b>	<b>54,437</b>	<b>341,958</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 297,109</b>	<b>\$ 56,628</b>	<b>\$ 353,737</b>

See accompanying notes to financial statements.

Township of Fulton

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

**Total fund balance - governmental funds** \$ 341,958

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 416,716	
Accumulated depreciation is	<u>(227,200)</u>	
Capital assets, net		189,516

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	58,637	
Net capital assets of Internal Service Funds included in the total above	<u>(35,727)</u>	
		22,910

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Compensated absences	<u>(160)</u>
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**Net assets of governmental activities** \$ 554,224

See accompanying notes to financial statements.

Township of Fulton

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 59,577	\$ -	\$ 59,577
Licenses and permits	940	-	940
Intergovernmental	136,882	-	136,882
Charges for services	7,956	-	7,956
Interest and rents	8,406	109	8,515
Other	9,415	7,754	17,169
TOTAL REVENUES	223,176	7,863	231,039
EXPENDITURES			
General government	128,789	251	129,040
Public safety	30,800	-	30,800
Public works	38,317	6,371	44,688
Community and economic development	1,516	-	1,516
Other	9,776	-	9,776
TOTAL EXPENDITURES	209,198	6,622	215,820
EXCESS OF REVENUES OVER EXPENDITURES	13,978	1,241	15,219
Fund balances, beginning of year	273,543	53,196	326,739
Fund balances, end of year	<u>\$ 287,521</u>	<u>\$ 54,437</u>	<u>\$ 341,958</u>

See accompanying notes to financial statements.

Township of Fulton

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

**Net change in fund balances - total governmental funds** \$ 15,219

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 27,082	
Disposal of capital assets	(10,042)	
Depreciation	<u>(15,288)</u>	
Excess of capital outlay over disposal of capital assets and depreciation expense		1,752

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contribution	4,800
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Internal service funds are used by management to charge the costs of operating and maintaining equipment to individual funds.

Decrease in net assets of Internal Service Fund	(9,794)	
Capital outlay of Internal Service Fund	(13,998)	
Disposal of capital assets	10,042	
Depreciation of Internal Service Fund	<u>5,482</u>	
		(8,268)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued compensated absences	<u>(3)</u>
--	------------

**Change in net assets of governmental activities** \$ 13,500

See accompanying notes to financial statements.



Township of Fulton

Proprietary Funds

STATEMENT OF NET ASSETS

March 31, 2006

	Business-type		
	Sewer #5	Sewer #6	Pompeii Sewer
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 698,053	\$ 182,593	\$ 51,359
Investments	200,000	-	-
Receivables			
Accounts	13,071	11,000	7,266
Special assessments - current	2,542	-	13,379
Interest	3,251	-	-
Due from other funds	6,350	-	-
Due from other governmental units - local	17,791	893	-
Total current assets	941,058	194,486	72,004
Noncurrent assets			
Investments	409,115	-	-
Special assessments - deferred	2,383	-	229,328
Advance to other funds	27,398	-	-
Capital assets, net	277,115	176,400	376,570
Total noncurrent assets	716,011	176,400	605,898
<b>TOTAL ASSETS</b>	<b>1,657,069</b>	<b>370,886</b>	<b>677,902</b>
<b>LIABILITIES</b>			
Current liabilities			
Due to other funds	7,341	4,934	11,317
Due to other governmental units - local	380	-	-
Accrued interest payable	-	-	4,340
Current portion of bonds payable	-	-	6,615
Total current liabilities	7,721	4,934	22,272
Noncurrent liabilities			
Noncurrent portion of bonds payable	-	-	171,990
Advance from other funds	-	-	27,398
Total noncurrent liabilities	-0-	-0-	199,388
<b>TOTAL LIABILITIES</b>	<b>7,721</b>	<b>4,934</b>	<b>221,660</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	277,115	176,400	197,965
Restricted for debt service	-	-	174,265
Unrestricted	1,372,233	189,552	84,012
<b>TOTAL NET ASSETS</b>	<b>\$ 1,649,348</b>	<b>\$ 365,952</b>	<b>\$ 456,242</b>

See accompanying notes to financial statements.

<u>Activities</u>	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Fund (Equipment)</u>
\$ 932,005	\$ 22,582
200,000	-
31,337	-
15,921	-
3,251	-
6,350	537
18,684	16
1,207,548	23,135
409,115	-
231,711	-
27,398	-
830,085	35,727
1,498,309	35,727
2,705,857	58,862
23,592	225
380	-
4,340	-
6,615	-
34,927	225
171,990	-
27,398	-
199,388	-0-
234,315	225
651,480	35,727
174,265	
1,645,797	22,910
<u>\$ 2,471,542</u>	<u>\$ 58,637</u>

Township of Fulton

Proprietary Funds

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended March 31, 2006

	Business-type		
	Sewer #5	Sewer #6	Pompeii Sewer
OPERATING REVENUES			
Charges for services	\$ 46,607	\$ 36,970	\$ 6,901
Equipment rentals	-	-	-
TOTAL OPERATING REVENUES	46,607	36,970	6,901
OPERATING EXPENSES			
Salaries and wages	12,254	6,425	1,639
Social security	937	492	125
Other fringe benefits	250	250	-
Health insurance	6,043	6,043	-
Workers' compensation	625	293	84
Supplies	857	626	70
Professional services	723	723	419
Utilities	4,398	2,558	1,710
Equipment rental	1,405	385	167
Repairs and maintenance	14,144	12,563	1,570
Insurance	776	388	32
Depreciation	29,412	16,755	11,946
Other	74	73	19
TOTAL OPERATING EXPENSES	71,898	47,574	17,781
OPERATING LOSS	(25,291)	(10,604)	(10,880)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	37,865	3,972	1,086
Gain on sale of assets	-	-	-
Interest and fiscal charges	-	-	(12,164)
TOTAL NONOPERATING REVENUES (EXPENSES)	37,865	3,972	(11,078)
CHANGE IN NET ASSETS	12,574	(6,632)	(21,958)
Net assets, beginning of year	1,636,774	372,584	478,200
Net assets, end of year	\$ 1,649,348	\$ 365,952	\$ 456,242

See accompanying notes to financial statements.

Activities	Governmental Activities
Total	Internal Service Fund (Equipment)
\$ 90,478	\$ -
-0-	8,800
90,478	8,800
20,318	-
1,554	-
500	-
12,086	-
1,002	-
1,553	3,663
1,865	250
8,666	-
1,957	157
28,277	5,959
1,196	3,421
58,113	5,482
166	17
137,253	18,949
(46,775)	(10,149)
42,923	146
-0-	209
(12,164)	-
30,759	355
(16,016)	(9,794)
2,487,558	68,431
<u>\$ 2,471,542</u>	<u>\$ 58,637</u>

Township of Fulton

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended March 31, 2006

	Business-type Activities		
	Sewer #5	Sewer #6	Pompeii Sewer
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 49,340	\$ 35,458	\$ 18,561
Cash paid to employees	(12,254)	(6,425)	(1,639)
Cash paid to suppliers	(28,639)	(22,809)	(1,496)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>8,447</b>	<b>6,224</b>	<b>15,426</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payment on advance from other funds	-	-	(1,719)
Payment on advance to other funds	1,719	-	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>1,719</b>	<b>-0-</b>	<b>(1,719)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital purchases	-	(6,166)	(1,710)
Sale of capital assets	-	-	-
Payment of bonds payable	-	-	(6,615)
Interest and fiscal charges	-	-	(12,164)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>(6,166)</b>	<b>(20,489)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	42,670	3,972	1,086
Maturities of investments	200,000	-	-
Purchases of investments	(200,000)	-	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>42,670</b>	<b>3,972</b>	<b>1,086</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>52,836</b>	<b>4,030</b>	<b>(5,696)</b>
Cash and cash equivalents, beginning of year	645,217	178,563	57,055
Cash and cash equivalents, end of year	<u>\$ 698,053</u>	<u>\$ 182,593</u>	<u>\$ 51,359</u>

	Governmental Activities
Total	Internal Service Fund (Equipment)
\$ 103,359	\$ 9,332
(20,318)	-
(52,944)	(13,467)
30,097	(4,135)
(1,719)	-
1,719	-
-0-	-0-
(7,876)	(13,998)
-0-	10,251
(6,615)	-
(12,164)	-
(26,655)	(3,747)
47,728	146
200,000	-
(200,000)	-
47,728	146
51,170	(7,736)
880,835	30,318
<u>\$ 932,005</u>	<u>\$ 22,582</u>

Township of Fulton

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended March 31, 2006

	Business-type Activities		
	Sewer #5	Sewer #6	Pompeii Sewer
Reconciliation of operating loss to net cash provided (used) by operating activities			
Operating loss	\$ (25,291)	\$ (10,604)	\$ (10,880)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	29,412	16,755	11,946
(Increase) decrease in accounts receivable	2,733	(1,512)	11,660
Decrease in due from other funds	-	-	-
Increase in due to other funds	1,593	1,585	2,840
(Decrease) in accrued interest payable	-	-	(140)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 8,447</u>	<u>\$ 6,224</u>	<u>\$ 15,426</u>

See accompanying notes to financial statements.

	Governmental Activities
	Internal Service Fund (Equipment)
<u>Total</u>	
\$ (46,775)	\$ (10,149)
58,113	5,482
12,881	-
-	307
6,018	225
<u>(140)</u>	<u>-</u>
<u>\$ 30,097</u>	<u>\$ (4,135)</u>



NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Fulton, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Gratiot County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two Trustees and provides services to its residents in many areas including fire protection, sewer, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the Township of Fulton. The Township does not have any activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Fulton contain all the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Basis of Presentation - continued

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer #5 Fund is used to account for the operations required to provide sewer services to the areas to the west and north of Rainbow Lake and the Village of Perrinton; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- c. The Sewer #6 Fund is used to account for the operations required to provide sewer services to the Middleton area; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Pompeii Sewer Fund is used to account for the operations required to provide sewer services to the Village of Pompeii; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

3. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

5. Budgets and Budgetary Accounting

Budgets for General and Special Revenue funds are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to April 1, the budget is adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year at the activity level for the General Fund and total expenditure level for the Special Revenue Fund.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

6. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated at market value.

7. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services.

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Property Tax

Fulton Township bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Gratiot County Treasurer on March 1 of the year following the levy. The Gratiot County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2006, the Township levied .8424 mills for general governmental services. The total taxable value for the 2005 levy for property within the Township was \$55,755,579.

9. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

10. Compensated Absences

Township employees are granted vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated compensated absences. All employees with accumulated compensated absences at March 31, 2006 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

11. Capital Assets

Capital assets include buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost greater than \$1,000 and an estimated useful life of more than one year. Capital assets are recorded in the proprietary funds, but not the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Machinery and equipment	3 - 20 years
Furniture and fixtures	5 - 10 years
Buildings and improvements	40 years
Sewer system and improvements	40 years

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

13. Pompeii Sewer

The Pompeii Sewer project, a joint project between Fulton and Washington Townships, is being administered by Fulton Township. The Township is responsible for paying bills related to construction and general operations of the system along with the collecting of sewer usage and special assessment revenue. Fulton Township's share of the activity has been recorded in the Township's financial statements because the system is partially owned by the Township. The Township's percentage share of the system is 66.15 percent.

14. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2006, the carrying amount of the Township's deposits were \$1,480,471 and the bank balance was \$1,510,442, of which \$322,011 was covered by federal depository insurance. The remaining balance of \$1,188,431 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of March 31, 2006, the carrying amounts and market values for the investments were as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Weighted Average Maturity</u>	<u>Rating</u>
Insured or registered for which the securities are held by the Township's agent in the Township's name			
Federal Home Loan Mortgage Corporation	\$ 409,115	6.5 years	AAA

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township's investments in the Federal Home Loan Mortgage Corporation were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2006:

Cash and cash equivalents	\$ 1,280,621
Investments - current	200,000
Investments - noncurrent	<u>409,115</u>
	<u>\$ 1,889,736</u>

The cash and cash equivalents captions in the basic financial statements include \$150 in petty cash.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at March 31, 2006, are as follows:

Due to General Fund from:	
Sewer #5 Fund	\$ 6,976
Sewer #6 Fund	4,794
Pompeii Sewer Fund	4,935
Nonmajor governmental funds	2,191
Internal service fund	<u>225</u>
	<u>\$ 19,121</u>
Due to Sewer #5 from:	
Pompeii Sewer Fund	<u>\$ 6,350</u>
Due to internal service fund from:	
Sewer #5 Fund	\$ 365
Sewer #6 Fund	140
Pompeii Sewer Fund	<u>32</u>
	<u>\$ 537</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between the primary government at March 31, 2006:

Advance to Pompeii Sewer Fund from:	
Sewer #5 Fund	<u>\$ 27,398</u>

Township of Fulton  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006 was as follows:

**Governmental activities**

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 22,505	\$ -	\$ -	\$ 22,505
Capital assets being depreciated:				
Buildings and improvements	242,133	7,480	-	249,613
Machinery and equipment	129,262	22,271	( 14,345 )	137,188
Furniture and fixtures	<u>5,279</u>	<u>2,131</u>	<u>-</u>	<u>7,410</u>
Total capital assets being depreciated	376,674	31,882	( 14,345 )	394,211
Less accumulated depreciation for:				
Buildings and improvements	( 129,458 )	( 6,147 )	-	( 135,605 )
Machinery and equipment	( 82,469 )	( 8,780 )	4,303	( 86,946 )
Furniture and fixtures	<u>( 4,288 )</u>	<u>( 361 )</u>	<u>-</u>	<u>( 4,649 )</u>
Total accumulated depreciation	<u>( 216,215 )</u>	<u>( 15,288 )</u>	<u>4,303</u>	<u>( 227,200 )</u>
Net capital assets being depreciated	<u>160,459</u>	<u>16,594</u>	<u>( 10,042 )</u>	<u>167,011</u>
Net capital assets - governmental activities	<u>\$ 182,964</u>	<u>\$ 16,594</u>	<u>\$( 10,042 )</u>	<u>\$ 189,516</u>

Depreciation expense was charged to the following governmental activity:

General government	<u>\$ 15,288</u>
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**Business-type activities**

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets being depreciated:				
Sewer system	\$ 2,303,095	\$ 7,876	\$ -	\$ 2,310,971
Equipment	<u>118,119</u>	<u>-</u>	<u>-</u>	<u>118,119</u>
Total capital assets being depreciated	2,421,214	7,876	-0-	2,429,090
Less accumulated depreciation for:				
Sewer system	( 1,458,757 )	( 52,493 )	-	( 1,511,250 )
Equipment	<u>( 82,135 )</u>	<u>( 5,620 )</u>	<u>-</u>	<u>( 87,755 )</u>
Total accumulated depreciation	<u>( 1,540,892 )</u>	<u>( 58,113 )</u>	<u>-0-</u>	<u>( 1,599,005 )</u>
Net capital assets - business-type activities	<u>\$ 880,322</u>	<u>\$( 50,237 )</u>	<u>\$ -0-</u>	<u>\$ 830,085</u>



Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended March 31, 2006:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006	Amounts Due Within One Year
Governmental Activities					
Compensated absences	\$ 157	\$ 3	\$ -	\$ 160	\$ 160
Business-type Activities					
1996 Revenue Bonds	<u>185,220</u>	<u>-</u>	<u>6,615</u>	<u>178,605</u>	<u>6,615</u>
	<u>\$ 185,377</u>	<u>\$ 3</u>	<u>\$ 6,615</u>	<u>\$ 178,765</u>	<u>\$ 6,775</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

\$320,000 County of Gratiot, Pompeii Community Sanitary Sewer System Bonds. These bonds are split \$211,680 and \$108,320 between Fulton and Washington Townships respectively. Bonds are dated August 1, 1996. Fulton Township's annual installments range from \$6,615 to \$13,230 through May 1, 2022, with interest ranging from 5.2 to 6.0 percent, payable semi-annually.

\$ 178,605

Year Ending March 31,	1996 Revenue Bonds	
	Principal	Interest
2007	\$ 6,615	\$ 10,243
2008	6,615	9,896
2009	6,615	9,542
2010	6,615	9,181
2011	9,923	8,722
2012-2016	49,612	35,051
2017-2021	66,150	17,860
2022-2023	<u>26,460</u>	<u>1,589</u>
	<u>\$ 178,605</u>	<u>\$ 102,084</u>

**Accrued Sick and Vacation**

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$160 at March 31, 2006.

**NOTE G: RISK MANAGEMENT**

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Township also maintains commercial insurance coverage for workers' compensation.

Township of Fulton

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE H: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of March 31, 2006:

Nonmajor governmental funds	
Reserved for	
Debt service	\$ 21,788
Perpetual care	22,307
Prepays	<u>317</u>
	<u>\$ 44,412</u>

The following is the fund balance designation as of March 31, 2006:

General Fund	
Designated for subsequent year's expenditures	<u>\$ 45,167</u>

**NOTE I: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of March 31, 2006:

Governmental activities	
Restricted for	
Perpetual care	<u>\$ 22,307</u>
Business-type activities	
Restricted for	
Debt service	<u>\$ 174,265</u>

**NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION**

The Township elected to report the financial activities of the building and zoning activity in the General Fund. The following is the required information as it relates to this activity for the year ended March 31, 2006:

REVENUES	
Zoning Permits	\$ 940
EXPENDITURES	
Salary and fringes	1,365
Postage	7
Advertising	<u>144</u>
TOTAL EXPENDITURES	<u>1,516</u>
EXCESS OF REVENUES	
UNDER EXPENDITURES	<u>\$ ( 576 )</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Fulton

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 60,040	\$ 60,040	\$ 59,577	\$ (463)
Licenses and permits	700	700	940	240
Intergovernmental	140,500	140,500	136,882	(3,618)
Charges for services	6,160	6,160	7,956	1,796
Interest and rents	6,000	6,000	8,406	2,406
Other	7,350	7,350	9,415	2,065
TOTAL REVENUES	220,750	220,750	223,176	2,426
EXPENDITURES				
General government				
Township board	14,125	14,125	8,325	5,800
Supervisor	9,650	9,650	8,661	989
Clerk	16,220	16,220	16,021	199
Board of Review	915	915	537	378
Treasurer	27,170	27,170	23,531	3,639
Elections	3,550	3,550	704	2,846
Assessor	10,900	10,900	8,574	2,326
Building and grounds	21,420	29,420	28,973	447
Cemetery	43,700	38,800	33,463	5,337
Total general government	147,650	150,750	128,789	21,961
Public safety				
Fire	25,900	30,800	30,800	-0-
Public works				
Drains	5,000	5,000	3,948	1,052
Highways, streets, and bridges	44,620	36,620	34,369	2,251
Total public works	49,620	41,620	38,317	3,303
Community and economic development				
Zoning	1,975	1,975	1,516	459
Other				
Insurance and fringe benefits	10,600	10,600	9,776	824
TOTAL EXPENDITURES	235,745	235,745	209,198	26,547
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,995)	(14,995)	13,978	28,973
Fund balance, beginning of year	273,543	273,543	273,543	-0-
Fund balance, end of year	\$ 258,548	\$ 258,548	\$ 287,521	\$ 28,973

## **OTHER SUPPLEMENTARY INFORMATION**

Township of Fulton  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
March 31, 2006

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>Middleton Street Lighting</u>	<u>Pompeii Street Lighting</u>	<u>Sewer #3</u>
ASSETS			
Cash and cash equivalents	\$ 5,505	\$ 6,087	\$ 21,788
Due from other governmental units - local	728	213	-
TOTAL ASSETS	<u>\$ 6,233</u>	<u>\$ 6,300</u>	<u>\$ 21,788</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 1,856	\$ 335	\$ -
FUND BALANCES			
Reserved for perpetual care	-	-	-
Reserved for debt service	-	-	21,788
Unreserved			
Undesignated, reported in:			
Special revenue funds	<u>4,377</u>	<u>5,965</u>	<u>-</u>
TOTAL FUND BALANCES	<u>4,377</u>	<u>5,965</u>	<u>21,788</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,233</u>	<u>\$ 6,300</u>	<u>\$ 21,788</u>

<u>Permanent</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Cemetery Perpetual Care</u>		
\$ 22,307	\$ 55,687	
-	941	
<u>\$ 22,307</u>	<u>\$ 56,628</u>	
\$ -	\$ 2,191	
22,307	22,307	
-	21,788	
-	10,342	
<u>22,307</u>	<u>54,437</u>	
<u>\$ 22,307</u>	<u>\$ 56,628</u>	

Township of Fulton

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	<u>Special Revenue</u>		<u>Debt Service</u>
	<u>Middleton Street Lighting</u>	<u>Pompeii Street Lighting</u>	<u>Sewer #3</u>
REVENUES			
Interest	\$ -	\$ -	\$ 109
Other			
Special assessments	<u>6,066</u>	<u>1,688</u>	<u>-</u>
TOTAL REVENUES	6,066	1,688	109
EXPENDITURES			
General government	100	100	51
Public works	<u>5,401</u>	<u>970</u>	<u>-</u>
TOTAL EXPENDITURES	<u>5,501</u>	<u>1,070</u>	<u>51</u>
EXCESS OF REVENUES OVER EXPENDITURES	565	618	58
Fund balance, beginning of year	<u>3,812</u>	<u>5,347</u>	<u>21,730</u>
Fund balance, end of year	<u>\$ 4,377</u>	<u>\$ 5,965</u>	<u>\$ 21,788</u>



<u>Permanent</u>	
<u>Cemetery</u>	<u>Total</u>
<u>Perpetual Care</u>	<u>Nonmajor</u>
	<u>Governmental</u>
	<u>Funds</u>
\$ -	\$ 109
-	7,754
-0-	7,863
-	251
-	6,371
-0-	6,622
-0-	1,241
22,307	53,196
<u>\$ 22,307</u>	<u>\$ 54,437</u>